B Class 1:8

1939-42 File No. 3296/36

P. W.

A CLASS DEPARTMENT

A BRANCH

Subject:— Cheques.

Acceptance of — in payment of Govt. dues or in settlement of other transactions by officers of Govt. and private individuals

B 1942

A

File No. 3296/36

Std. Scott. Slip 24-A

Std. Sectt. 78A o.

G R., G D., No 2408, dated 22-6-22.]

Correspondence

DOCKET SHEET (B)

Subject :—

File No. 3296 / 36

P. W. DEPT.

A. BRANCH.

References :—

Date.	To whom sent.	Notes and instructions.

P.W.Deptt.

No.T.M. 22/2198

Bombay, the 3rd February 1939.

From

THE ACCOUNTANT GENERAL,

BOMBAY.

To

All Heads of Departments.

Subject:- Acceptance of Cheques in payment of Government dues or in settlement of other transactions by officers of Government.

Sir,

I have the honour to intite your attention to Article 6 of Civil Account Code Valume I which permits acceptance of Cheques of only those Banks which have clearing account with the Reserve Bank or the Imperial Bank of India and to observe that the Reserve Bank recently reported that some officers have been accepting cheques of Banks which have no such clearing accounts. A strict observance of the rule is important as it will minimise risks of loss to Government in case of bank failures and I request that the attention of all officers under your control may kindly be drawn to this point.

I have the honour to be,

Sir,

Your most obedient servant,

S.-200-3-2-39

Sd/-

Deputy Accountant General.

3296/36.

A.B.

Submitted for information & record

(thro.M.B.I.B.W.B & E.B.)

Id/-

14-2-39

Cheques:
Acceptance at Government treasuries-

GOVERNMENT OF BOMBAY.
Finance Dopartment.

Resolution No.. 3968.

Bombay Castle, 22nd April 1942

Letter from the Registrarbf Co-operative Societies and Director of Rural Depelopment ,Bombay, No.ADM(COP)51, dated 6th July 1939..

"I have thehonour to enclose herewith correspondence*noted below regarding the subject noted above..

Letter No.A-23725, dated 9th May 1939, from Poona Central Co-operative Bank.

Letter No.1544/2,dated 23rd May 1939, addressed to the Accountant General Bombay .

Letter No.T.M.22-624, dated 10th June 1939, from the Accountant General,Bombay..

2. In this connection I should intite referance to Government Resolution, Finance Department, No.3968, dated 1st June 1925, in which Government has expressed willingness to accept payment of Government dues such as land revenue, tagavi instalments irrigation fees, etc. in the formbf cheques drawn of Co-operative Banks and paid in at the up county branches of the Imperial Bank of India where treasury business is conducted on behalf of Government I am of opinion that the orders of Government were intended to place cheques drawn on Co-operative Banks on the same footing at those drawn on banks having clearing accounts with the Imperial Bank of India subject, only to other conditions mentioned in Article 6 of the Civil Account Code. The Accountant General is, however, of the opinion that the condition that the Bank on which the Cheque is drawn for payment of Government dues must mbe one having a clearing account with the Imperial Bank of India is applicable to cheques drawn on a Co-operative Bank also . I should state that such a restricted application of the concession granted under the Government Resolution, referred to above , will cause a great hardship to co-operative Banks as only the Bombay Provincial Co-operative

* Not Printed.

Bank .....

Bank has a clearing account and would almost nullity the concession which Government must have contemplated I should further add that such a restriction of the concession is also anomalous in view of the fact that under Government Resolution, Revenue Department, No.140-A, dated 3rd August 1938, certain Co operative Banks have been authorised to accept deposits in respect of Local Funds and Primary Education funds on which cheques may be required to be drawn by local bodies for making payment of Government dues. I should therefore, request that Government may be moved to clarify the position and if necessary to modify the orders contained in the Government Resolution, referred to above with aview to exempt Co-operative Banks from the condition that cheques tendered in payment of Government dues should be on banks having clearing accounts either with the Imperial Bank of India or the Reserve Bank of India."

Government letter to the Manager, Reserve Bank of India, Bombay No.3968-A dated 20th September 1939:-

"I am directed to state that the Government of Bombay issued orders in 1925 in consultation with the Imperial Bank of India authorising the acceptance of Government dues in the form of the Imperial Bank of India where treasury business is conducted on behalf of Government subject to the conditions mentioned in Article 6 of the Civil Account Code, Volume I. With aview to extend banking facilites to the general public and to encourage Co-operative Banks, Government proposes to withdraw the condition by which the Banks on which the cheques are drawn are required to have clearing accounts with the Reserve Banks ~~on which the Cheques are drawn are required to have clearing accounts with the Reserve Bank~~ or the Imperial Bank of India. I am desired to enquire whether the Reserve Bank of India has any objection to the Proposal."

Cheques dra[illegible]-n on Co-op[illegible] o.ative banks and paid in at [illegible] up-country branches of

Letter from the Reserve Bank of India No.MS.1013/1439. dated 23rd September 1939.

Government letter to the Chief Accountant, Reserve Bank of India, Bombay No.3968-A dated the 30th July 1940.

Letter from the Deputy Secretary and Treasurer, Reserve Bank of India, Bombay No.B.R.11327, dated 11th October 1940, forwarded

under letter from the Chief Accountant, Reserve Bank of India, Bombay No.COR.3127/13-40, dated 15th October 1940:-

"With reference to your letter No.C.O.R.2284/13/40 of the 6th August last with which was enclosed a copy of letter No.3968/33-A of the 30th July 1940 from the Government of Bombay dealing with the above subj-ect we have referredthe matter to our Central Office and have now to advise as under.

"2 The object of the proposals put forward appears in the first instance to have been twofold -

1. So that earlier credit might be afforded to the Government Treasury.
2. To encourage the maintenanceof current accounts with Co-operative Banks.

Object No.1 appears to have been negatived by Government's decision to drop the idea of marking cheques good for payment and giving any form of indemnity to this Bank. Object No.2 appearsto be served already as it is the custom at practically all our branches to accept payment of Government duesin whatever form it may be tendered credit being given on realization. It therefore appears that the situation could most easily be met by allt our Branches being instructed to collect Government dues in whatever form tendered and if thought necessary, Article 6 of volume I of the Civil Account Code could be amended accordingly.

"3. The scheme as now contemplated by the Government of Bombay does not seem to offer any advantages over the existing procedure the only material change being the proposal that Co-operative Banks should maintain current accounts at out Branches and that payment to us of cheques on themselves presented for credit of Government Account should be made by cheques drawn on the Branch of the Imperial Bank concerned. For arrangement to be fully effective it would mean that in districts where we have a number of offices at adjacent centres some Co-operative Banks would have to open current accounts at each of these offices resulting in the tying up of funds by Cooperative Banks, or as is more likely in these accounts ~~at each of these offices resulting in the~~ being placed in funds only when drawings thereon become necessary. Further the proposed method of collecting commission merely increases work ---

work at present we collect direct from the party presenting the cheques.

"4. If however the Government of Bombay desire to adopt the proposals they have put forward we shall be pleased to fall in with their wishes but must stipulate for the charge detail in out letter of the 15th April last.

"5. The actual procedure contemplated is we understand from paragraph 2 of letter No.3968/33-A of the 30th July last addressed to you by the Secretary to the Government of Bombay, Finance Department to apply only to:-

a)Local collections, and

b)Collections on outlying places where we are not represented.

"6. Dealing with the question of charges it is not possible to fix a minimum of annas four for out.of pocket expenses as at up-country stations the presentation of a cheque not infrequently means tonga hire at a cost of annas 12. Actual out-of pocket expenses must therefore be charged. Out charge of 3/16 per cent. with a minimum of annas 6 on the total of the cheques tendered on any one branch bank in any one day is we consider reasonable and we are unable to make any reduction.

"7. Regarding the opening of accounts for Co-operative Banks at our branches under the scheme contemplated, we mush make it clear that save in exceptional circumstances this Bank does not open ordinary current accounts for indigenous banks at places where such banks are not themselves established and that, if it should be found that Co-operative Banks were using the proposed accounts other than for the purpose contemplated, we would be obliged to levy agency charges on all such transactions".

Government Letter to the Chief Accountant, Reserve Bank of India Bombay, No.3968-A dated the 6th February 1941.:-

"With reference to your letter No.C.O.R.3127/13-40, dated 15th October 1940, I am directed to state that on reconsideration, in the light of the letter No.B.R.11327, dated 11th October 1940 from the Deputy Secretary and Treasurer, Imperial Bank of India, Bombay, Government agrees to drop the proposals communicated to you in its

)tter .....

letter No.3968/33-A, dated 30th July 1940.

"2. It is stated in the letter from the Imperial Bank of India quoted above that it is the custom practically at all its branches to accept payment of Government dues in whatever form it is tendered, credit being given on realisation. There is no information that that System is causing any difficulty and Governments is of the opinion that it may as suggested by the Imperial Bank be regularised not only in the case of Co-operative Banks but of other banks as well. This will amount to the waiving, in all cases, of the condition in Article 6 of the Civil Account Code, Volume I, requiring a bank on which a cheque is drawn for payment of Government dues to be one having a clearing account with the Imperial Bank of India or the Reserve Bank of India It will however, be necessary to lay down the condition that payment will not be deemed to received b the Bank and that the commission of the Banks is recovered direct from the party presenting the cheque. I am to enquire if the Reserve Bank has any objection to, or suggestion to make on this proposal. After the views of the Reserve Bank are received it is proposed to move the Government of India to agree to a similar procedure in respect of Central transactions."

Letter from the Chief Accountant, Reserve Bank of India, Bombay, No.C.O.R.701/13-41, dated 4th March 1941.-

"In continuation of our letter No.C.O.R.519/13/41, dated the 14th February 1941, February 1941on the above subject, we have to advise that the contents of your letter No.3968-A dated the 6th February 1941 were duly communicated to the Imperial Bank of Bombay and we enclose a copy of their letter* No.B.R.1992. datedthe 26th February 1941 in reply thereto.

"2 If the Bombay Government agree to the condition mentioned by the Imperial Bank of India, you may issue the necessary instructions forwarding usa copy thereof to enable us to advise the Imperial Bank of India and our own offices."

Letter to theGovernment of India, Finance Department No.3968-A dated 29th March 1941:-

" I am directed to state that in 1925 with a view to encouraging Co-operative Banks, this Government authorised the acceptance, in

payment of.....

payment of Government dues, of cheques drawn of such banks in the Province, subject to the conditions mentioned in Article 6 of the Civil Account Code, Volume I. It has recently been pointed out to Government that one of the conditions in Article 6 viz., that the drawee bank should have a clearing account with the ~~Reserve Bank of India or the Imperial Bank should have a clearing account with the~~ Reserve Bank of India or the Imperial Bank of India, makes the orders of 1925, virtually a nullity as no Co-operative bank other than the Bombay Provincial Co-operative Bank has a clearing account with the Imperial Bank of India or the Reserve Bank of India. Representations have been received to the effect that this condition should be waived in the case of co-operative banks.

"2 The Question has been discussed with the Reserve Bank and the Imperial Bank. It is understood that the present practice of the Imperial Bank of India is to accept chequeson all banks (irrespective of whether they have a clearing account or not)in payment of Government dues, credit being given on realisation, and to collect thecommission for the clearance of cheques direct from the party presenting them, This practice is in conflict with the provision of Article. 6.

"3. There is no evidence to show that the present practice of the Imperial Bank is causing any difficulty. The other conditions in Article 6 of the Civil Account Code, Volume I, and the notes under it according to which payments are not deemed to have been made and a final receipt is not passed until the actual credit of the amount is received seem to provide ample safeguard to Government I am to suggest therefore, that the condition, that the drawee bank should have a clearing account may be deleted . The Reserve Bank of India and the Imperial Bank of India have no objection to this subject to the condition that the Imperial Bank is allowed discretion to refuse to accept collections which in its opinion, cannot reasonably be undertaken and which it would not accept on behalf of itsown consitituents . This is a reasonable condition and is acceptable to Government.

"4. As it would be inconvenient to introduce the change in the case of provincial transactions only, I am directed to enquire whether the .....

the Government of India would agree to the proposed deletion so far as Central transactions at the Provincial treasuries or sub-treasuries where treasury business is conducted by the Reserve Bank of India or the Imperial Bank of India, are concerned."

Letter from the Government of India, Finance Department , No D.6036-F 41, dated 7th October 1941.

"With reference to Mr.Shankar's letter No.3968-A dated the 29th March 1941, on the subject noted above, I am directed to say that the Government of India accept your suggestion that Cheques on all banks(provided that they are local banks)should to accepted in payment of Government dues irrespective of whether a bank has a dealing account with the Imperial / Reserve Bank of India or not subject however to the other restrictions laid down in article 6 of the Civil Account Code, Volume I or Rule 79 of the new Treasury Rules."

Letter to the Government of India,Finance Department, No.3968-A, dated 30th January 1942 :-

I am directed to invite a reference to the correspondence ending with your letter No.D.6036-F-41dated 7th October 1941, on the above subject and to state that the substitution of 'local banks' in the new central Treasury Rule 79 for 'banks having clearing accounts with the Reserve/Imperial Bank of India in Article 6 of the Civil Account Code, Volume, I would appear to exclude the latter if they are not local banks In this particular respect therefore the new rule appears to be less liberal than the old Article 6 of the Civil Account Code, Volume I I am accordingly directed to enquire whether there is any objection to inserting the words 'and banks having clearing accounts with the Reserve / Imperial Bank of India, after the words 'local banks in line 2 of clause 1(a) of the Central Treasury Rule 79."

Letter from the Government of India, Finance Department No.D 691-O.S.D,dated 21st February 1942:-

With reference to your letter No.3968-A, dated the 30th January 1942, on the subject indicated above, I am directed to state that the rules in the Civil Account Code did not actually authorise acceptance of cheques otherthan cheques on Local banks having clearing account with the Reserve/Imperial Bank of India,

if...

If all the rules in that Code regarding the acceptance of Cheques, namely Rule 1 below Article 2 and Article 6 in Volume I and Article 303 in Volume II are read together it will be clear that the intention was that cheques on local banks only were to be accepted in payment of Government dues. The Central Treasury Rules so far from making the new rule in the matter of acceptance of cheques less liberal than the old Article 6 of the Civil Account Code, have actually extended the scope of the scope of the rule by authorising acceptance of Cheques on all local Banks has a clearing account with the Reserve /Imperial Bank of India, or not.

"2. Rules 453 of the central Treasury Rules which corresponds to Article 303 of Civil Account Code, Volume II requires that daily clearance should be made of cheques accepted by the Bank. The condition of daily clearance is an essential feature of the system of payments by cheques which are not deemed acquittance in full until the cheques are actually cleared. If acceptance of cheques is not restricted to those drawn on local banks, this rule would become almost unworkable. The restriction has, therefore, been deliberately retained in sub-rule(1) of Central Treasury Rule 79 though it can be relaxed in particular cases by special orders issued under sub-rule(2) thereof."

Resolution- In supersession of the orders contained in Government Resolution No.3968, dated 1st June 1925, Government is pleased to direct that at places where the cash business of the Treasury is conducted by a branch of the Imperial/Reserve Bank of India cheques on local banks should be accepted in payment of Government dues such as land revenue tagavi instalments, irrigation, fees, etc. subject to the conditions mentioned in Financial Rule 4 of Financial Publication No.1.

2. The Accompanying correction slip* to Financial Publication No.I will be issued in due course.

By order of the Governor of Bombay.

B.VENKATAPPIAH

Deputy Secretary to Government.

G.R.No.3968, F.D.dated the 22nd April 1942.

To-

* Printed as accompaniments to this Resolution.

To

The Accountant General ,Bombay.

The Commissioners of Division,

All Collectors (with spare copies for supply to Treasury Officers and Sub-Treasury Officers),

The Registrar of Co-operative Societies and Director of Rural Development ,Bombay,

All other heads of offices under the several Department of the Secretariat,

All Departments of the Secretariat (except the separate Department)

The Chief Accountant, Reserve Bank of India, Bombay(by letter)

No. of 1942.

Copy forwarded for information and guidance to

Accompaniments to Government Resolution, Finance Department No.3968, dated 22nd April 1942.

Copy of a letter No.D.R.1992 dated the 25th February 1941, from the Chief Account, Reserve Bank of India, Central Office Bombay.

With reference to your letter No.C.O.R.520/13/41 of the 14th instance, we have to advise that the proposal contained in the Bombay Government, Finance Department, letter No.3968-A, dated the 6th idem is acceptable in so far as we are concerned so long as the right is reserved to us to refuse to accept collections which we consider cannot reasonable be undertaken and which we ~~consider cannot reasonably be undertaken~~ would not accept on behalf of our own constituents.

2. We note that it is proposed that Article 6 of the Civil Account Code, Volume I, should be suitably amended.

(Financial Publication No.I, second Edition).

Pages 6/7, Rule 4-

Substitute the following rule for the existing Rule :-

4.(a) At places where the cash business of the treasury is conducted by the Bank, cheques on local banks may be accepted in payment of Government dues, or in settlement of other transactions with the Government, if the cheques have been crossed by the drawer. Until however a cheque has been cleared, the Government cannot admit that payment has been received and consequently final receipt shall not be granted when a cheque is tendered. A receipt for the actual cheque only may be given in the first instance, but if a person making payment in this manner so desires, a formal payment receipt shall be sent to his address after the cheque has been cleared. Collection charge of the Bank, if any which should previously be ascertained by the payer, may be included in the cheques for the payment of Government dues or may be paid in cash. The preliminary acknowledgement of the receipt of the cheque will be given in the following form:-

for Received cheque No; , as per Particulars below, drawn on
On account
as per challan No. Rs.
Collection charges (if included in Cheque) Rs.

(N.B.- The Collection charges should not enter Government accounts).

Note- The Reserve Bank and the Imperial Bank of India reserve to themselves the right to refuse to accept cheques the collection of which, they would not accept on behalf of their own constituents.

(b) In the event of a cheque being dishonoured by the bank on presentation, the fact shall be reported at once to the tenderer with a demand for payment in cash, but the Government cannot accept any liability for loss or damage, which may possibly occur as a result of delay in intimating that the cheque has been dishonoured.

(c) When Government dues which are payable by certain fixed dates are paid by cheque, the person desiring to make such payment in this manner without risk must take suitable precautions to ensure that his cheque reches the treasury or the receiving office at the latest on the working day preceding the date on which the payment is to be made . Cheques received on the last day of payment of Government dues may be refused at the discretion of the officer to whom they are tendered and those received later will not be accepted

Note- The term "local Banks" as used in this rule means banks (including the Reserve Bank and the Imperial Bank of India) locatedin the Station in which a Bank treasury is situated.

(Correction No. Financial Publication No.1
Edition, dated 2nd 1942.)

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in their opinion, cannot reasonably be undertaken and which.